



Winspear Business Reference Room  
University of Alberta  
118 Business Building  
Edmonton, Alberta T6G 2R6

**ANNUAL REPORT  
1996**



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The audited financial statements referred to in the Annual Report Exchange are approved as of the date of release that they are approved and have received from AIC. The Company will have with its audited financial statements a shareholders' meeting, which is expected to be held in the early spring of 1997.

We are looking forward to the completion of the acquisition of the 50% interest in our joint venture, particularly in the development of oilfield projects.

*[Signature]*  
John P. Ross  
President & CEO  
January 31, 1997

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## CORPORATE PROFILE

Asia Pacific Concrete Inc. ("Asia Pacific" or The "Company") is currently a junior capital pool company incorporated under the laws of the Province of Alberta. Upon the completion of its major transaction Asia Pacific will become an industrial company engaged in the production of ready mix concrete and other concrete related operations.

The Company intends to initially acquire a 70% interest in Rimbey Transit Mix Ltd. ("Rimbey"), a ready mix concrete company located in the Town of Rimbev, Alberta. In addition to its Canadian operations, the Company intends to pursue business opportunities in the Far East, particularly in China, where the ready mix concrete business is experiencing strong growth. The Company also intends to expand its Canadian operations when the opportunity arises and when the overseas operation requires additional Canadian support.

In addition to the ready mix concrete business, the Company also intends to participate in other concrete related operations, such as the manufacture of concrete blocks and other concrete related products, particularly in the overseas market.

## REPORT TO SHAREHOLDERS

1996 has been an eventful year for our Company. The Company was incorporated on March 19, 1996, and on September 23 was listed on the Alberta Stock Exchange as a Junior Capital Pool ("JCP") company. In addition to obtaining the listing, we have also focused a lot of energy in seeking a ready mix concrete business for our major transaction, as required by the Alberta Stock Exchange for a JCP company. After evaluated numerous potential companies in Canada, we selected Rimbey Transit Mix Ltd. ("Rimbey") in the town of Rimbey, Alberta as the candidate for the major transaction.

In the proposed major transaction, Asia Pacific will acquire 70% ownership of Rimbey for \$280,000.00. Rimbey is currently a wholly owned subsidiary company of Nikirk Bros. Contracting Ltd. ("Nikirk"), which has been in the gravel and ready mix concrete business since 1977. It provides ready mix concrete to the Town of Rimbey and the surrounding areas. As well as providing a base for our Company, the addition of Rimbey's management will further strengthen the Company's management team, particularly in the concrete industry.

Rimbey currently has a rated production capacity of about 30 cubic meters per hour with the potential to be upgraded to 60 cubic meters per hour. Its production of concrete for 1993, 1994 and 1995 was 5,125, 6,297 and 6,374 cubic meters, and its revenues were estimated to be \$527,875.00, \$665,089.00 and \$698,272.00 respectively. Because Rimbey is a wholly owned subsidiary company of Nikirk, its operating results were consolidated with those of Nikirk. Once the acquisition is completed, it is anticipated that Rimbey will provide positive cash flow to the Company. It was also proposed that the existing management of Rimbey would continue to manage Rimbey's operation after the acquisition.

The details of the proposed major transaction was submitted to the Alberta Stock Exchange for approval in the fall of 1996, and at the time of writing this report an approval has been received from ASE. The Company will now seek an approval from its shareholders in a shareholders meeting, which is expected to be held in the early spring of 1997.

We are now looking forward to the completion of the acquisition of Rimbey and to moving forward with our corporate development, particularly in the development of overseas projects.

  
Alan Chan P. Eng.  
President & CEO  
January 31, 1997

## ACQUISITION OF RIMBEY TRANSIT MIX LTD.

### Summary of the Proposed Major Transaction

In order to maintain continuity in the management of Rimbev Transit Mix Ltd., Asia Pacific proposes to acquire a controlling interest only. The Share Purchase Agreement provides that Asia Pacific will acquire a 70% interest of Rimbev from Nikirk Bros. Contracting Ltd. ("Nikirk") for two hundred eighty thousand dollars (\$280,000 Cdn.). Rimbev is a ready mix concrete company located in the Town of Rimbev, Alberta and is a wholly owned subsidiary of Nikirk.

Concurrent with the Acquisition, Nikirk will pay down a bank loan of \$31,912 owed by Rimbev to a financial institution, which loan is secured against certain assets to be acquired by the Company. Nikirk will then receive 31,912 Class "A" shares of Rimbev to convert its loan to Rimbev into equity. As a result, upon completion of the Acquisition, the Company will hold 280,000 Class "A" shares of Rimbev and Nikirk will hold 120,000 Class "A" shares of Rimbev.

The assets of Rimbev include:

- Four concrete trucks;
- One 30 cubic meter per hour concrete batch plant;
- One loader;
- One 60 tonne cement silo;
- One 50 tonne cement silo;
- Land - 1.14 Acres (Lot 13, Plan 792 1770, Block 11);
- Buildings including offices, batch plant and aggregate storage;
- Miscellaneous office equipment and furniture other than the computer system currently in use; and
- One radio system for vehicles.

All accounts receivable and payable are to be nil as at closing, and the inventory, which includes cement, aggregates and additives, will be assumed at cost.

Nikirk was also given the option to convert \$25,000 of the purchase price into Common Shares at a cost of \$0.25 per share within 15 days after the completion of the Acquisition.

## Rimbey Transit Mix Ltd.

Rimbey Transit Mix Ltd. was incorporated on May 7, 1996 under the provisions of the *Business Corporations Act* (Alberta) and is wholly owned by Nikirk, one of the largest contracting companies in the Town of Rimbey, Alberta. On August 31, 1996 Rimbey acquired all of the assets of the ready mix concrete operation (the "Concrete Operation") from Nikirk, which Nikirk had established and operated since 1977. The Concrete Operation began with 3 concrete trucks and currently operates with a total of 4. It has a ready mix batch plant, with production capacity of about 30 cubic meters per hour. It supplies ready mix concrete to the Town of Rimbey and the surrounding areas. Its production of concrete for 1991, 1992, 1993 1994 and 1995 was 4,352, 4,660, 5,125, 6,297 and 6,374 cubic meters respectively.

The Concrete Operation's sales of concrete are currently split 40% to the agricultural sector, 30% to the industrial and commercial sector and 30% to residential sector. Staffing of the concrete operation is generally seasonal in nature employing up to 8 people in the summer and 2 to 3 part-time staff in the winter. Dennis Nikirk currently manages all aspects of Rimbey's operations and it is contemplated that he will continue to do so after the completion of the Acquisition. However, it is also expected that immediately after the closing of the Acquisition, Alan Chan, Cam McIntosh, and Dennis Nikirk will be appointed directors, and Alan Chan and Dennis Nikirk will be appointed officers of Rimbey.

The Town of Rimbey is located approximately 50 km northwest of Red Deer in the province of Alberta. It is a major rural centre with steady population growth over the last several years. Rimbey currently has a population of about 2,300 and serves a trading area with a population of about 12,000. It has all the essential services for a major town and is served by highways 53 and 20 and several secondary roads. It has over 100 businesses and a new municipal airport, and is an active centre for the agricultural and oilfield industries.

## OVERSEAS DEVELOPMENT

The Company will embark on its overseas project development program after its acquisition of Rimbey is completed. Initially, the Company will focus its attention in China because of the growth potential in the ready mix concrete industry in that country. The ready mix concrete industry, started in China in the mid 1980's, varies widely among various regions and cities in China. While a majority of the large cities in China currently have significant ready mix concrete operations, most of the medium or small cities do not have a significant amount of ready mix concrete operations. Since many of the smaller cities are growing rapidly, there exists a strong potential for the development of ready mix concrete operations in these cities.

China is currently the world's largest consumer of concrete, based on its consumption of cement, which is a major component of concrete. China consumes approximately 25% of the world's production of cement. Its annual consumption of about 200 million tonnes in 1990 has grown to over 300 million tonnes in 1995, and is projected to grow to over 400 million tonnes prior to the year 2000. Despite this large total consumption, per capita consumption is still low at around 200 kg. The average per capita consumption in other more advanced developing countries such as Taiwan and South Korea is over 1100 kg.

The size of any project to be developed in China will depend on the location and local conditions. It is the intention of the Company to initially pursue projects with an annual production capacity of at least 100,000 cubic meters to 150,000 cubic meters. The type or sophistication of the plant will depend on the regulations of the municipality where the project is located.

The development of ready mix concrete projects in China usually requires the establishment of some form of joint venture with a local industry partner. The particular structure of the joint venture may vary depending upon the requirements of each individual case. The Company's current intention is to pursue projects only when it has a majority interest. In any joint venture, the Company will generally contribute capital as well as technical and management expertise. The Company anticipates that its capital contribution will be used to purchase North American made equipment for the joint venture, which would normally include concrete trucks, batch plants, concrete pumps and computerized control systems. The local partner's contribution will normally include land, construction costs of the plant, infrastructure development, buildings and locally made equipment.

## MANAGEMENT'S REPORT

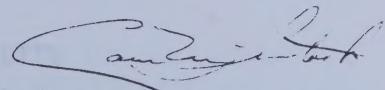
The financial statements of the Company contained in the annual report are the responsibility of management and have been approved by the Board of Directors. The financial statements have been prepared in accordance with accounting principles generally accepted in Canada.

Management maintains a system of internal controls to provide reasonable assurance that all assets are safeguarded and to facilitate the preparation of financial statements for reporting purposes. Timely release of the financial statements sometimes necessitates the use of estimates when transactions affecting the current accounting period cannot be finalized until future periods. Such estimates are based on judgment of the management.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and has appointed an Audit Committee. This Committee, consisting of a majority of non-management directors, meets with management and external auditors to ensure that each group is properly discharging its responsibilities and to discuss internal controls, accounting policies and financial reporting matters. The Audit Committee has reviewed the financial statements and reported thereon to the Board of Directors. The Board of Directors has approved the financial statements for issuance to the Shareholders.

  
Alan Chan P. Eng.  
President & CEO

January 31, 1997

  
Cam McIntosh  
Chief Financial Officer

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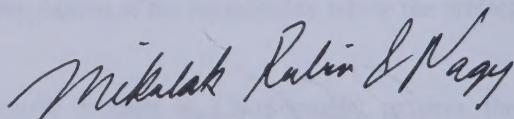
## AUDITORS' REPORT

To: The Directors

We have audited the balance sheet of **Asia Pacific Concrete Inc.** as at December 31, 1996, and the statements of loss and deficit, and changes in financial position for the nine-month period from the date of incorporation to December 31, 1996. These financial statements are the responsibility of the corporation's management. Our responsibility is to express an opinion on the financial statement based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, the balance sheet presents fairly, in all material respects, the financial position of the corporation as at December 31, 1996, and the results of its operations and changes in financial position for the nine-month period from the date of incorporation to December 31, 1996 in accordance with generally accepted accounting principles.



Calgary, Alberta  
January 23, 1997

Chartered Accountants

**BALANCE SHEET**  
**DECEMBER 31, 1996**

**ASSETS**

**CURRENT**

Cash	\$ 16,900
Term deposits	365,111
Accounts receivable	680
Goods and services tax recoverable	<u>2,972</u>
	385,663
<b>VENTURE DEVELOPMENT COSTS</b>	26,389
<b>CAPITAL ASSETS, note 3</b>	<u>829</u>
	\$ 412,881

**LIABILITIES**

**CURRENT**

Accounts payable	\$ 29,686
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**SHAREHOLDERS' EQUITY**

<b>CAPITAL STOCK, (note 4)</b>	421,397
<b>DEFICIT</b>	<u>(38,202)</u>
	383,195
	\$ 412,881

**APPROVED ON BEHALF OF THE BOARD:**

Alan Chan ALAN CHAN  
Kit Chan KIT CHAN

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**STATEMENT OF OPERATIONS AND DEFICIT**  
**FOR THE NINE-MONTH PERIOD**  
**FROM THE DATE OF INCORPORATION TO DECEMBER 31, 1996**

<b>INCOME</b>	
Interest	\$ <u>5,501</u>
 <b>GENERAL AND ADMINISTRATION EXPENSES</b>	
Accounting, audit and legal	3,000
Advertising and promotions	697
Amortization of capital assets	146
Bank charges and interest	541
Consulting	975
Office and supplies	2,238
Premise cost	5,810
Telephone	1,046
Wages and benefits	<u>15,497</u>
	29,950
 <b>VENTURE INVESTIGATION COSTS</b>	
	<u>13,573</u>
	<u>43,523</u>
 <b>NET (LOSS) FOR THE PERIOD, REPRESENTING (DEFICIT), END OF PERIOD</b>	
	\$ <u>(38,202)</u>
 <b>(LOSS) PER SHARE</b>	
	\$ <u>(.01)</u>

**STATEMENT OF CHANGES IN FINANCIAL POSITION**  
**FOR THE NINE-MONTH PERIOD**  
**FROM THE DATE OF INCORPORATION TO DECEMBER 31, 1996**

**CASH FUNDS PROVIDED BY (USED IN)**

**OPERATING ACTIVITIES**

Operations:

Net (loss) for the period	\$ ( 38,202)
Amortization of capital assets	<u>146</u>
	( 38,056)

Changes in non-cash working capital items:

Accounts receivable	( 680)
Goods and services tax recoverable	( 2,972)
Accounts payable	<u>29,686</u>
	( 12,022)

**FINANCING ACTIVITIES**

Issuance of share capital	490,012
Share issuance costs	<u>( 68,615)</u>
	<u>421,397</u>

**INVESTING ACTIVITIES**

Venture investigation and development costs	( 26,389)
Purchase of capital assets	<u>( 975)</u>
	( 27,364)

**INCREASE IN CASH FUNDS FOR THE PERIOD,  
REPRESENTING CASH FUNDS, END OF PERIOD**

**\$ 382,011**

**CASH FUNDS REPRESENTED BY:**

Cash	\$ 16,900
Term deposits	<u>365,111</u>
	\$ 382,011

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## NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 1996

### 1. THE CORPORATION

The Corporation was incorporated on March 19, 1996, under the provisions of the Business Corporations Act of the Province of Alberta. On September 23, 1996, the Corporation was listed on the Alberta Stock Exchange as a Junior Capital Pool. The Corporation's activities have revolved around identification of a business acquisition which would qualify as a "major transaction" pursuant to the requirements of the Alberta Stock Exchange.

### 2. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared on the basis of generally accepted accounting principles applicable to a going concern which assumes that the Corporation will continue to be able to realize its assets and discharge its liabilities in the normal course of business. Additionally, these financial statements are prepared on other accounting policies of which the more significant ones are:

#### a) Venture Identification and Development Costs

Expenses associated with venture identification have been expensed as incurred. Expenses associated with venture development will be capitalized and treated as a component cost of the venture, if its acquisition is carried out. If the acquisition is terminated, these costs will be expensed in the year the venture is terminated.

#### b) Amortization of Capital Assets

Capital assets are recorded at cost, and are being amortized on a Declining Balance basis as follows:

Computer	30%
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### 3. CAPITAL ASSETS

	<u>1996</u>	<u>ACCUMULATED</u>	<u>NET BOOK</u>
	<u>COST</u>	<u>AMORTIZATION</u>	<u>VALUE</u>
Computer	\$ 975	\$ 146	\$ 829

## 4. SHARE CAPITAL

### a) Authorized:

Unlimited number of voting common shares;  
Unlimited number of preference Class B shares,  
issuable in series, the rights, privileges,  
restrictions and conditions attaching to the  
shares have not yet been specified;  
Unlimited number of preference class C shares,  
issuable in series, the rights, privileges,  
restrictions and conditions attaching to the  
shares have not yet been specified;  
Unlimited number of preference class D shares,  
issuable in series, the rights, privileges,  
restrictions and conditions attaching to the  
shares have not yet been specified;  
Unlimited number of preference class E shares;  
issuable in series, the rights, privileges,  
restrictions and conditions attaching to the  
shares have not yet been specified.

### b) Issued:

4,533,500 common	\$ 490,013
Share issuance costs	<u>(68,616)</u>
 \$ 421,397	

On March 19, 1996 the Corporation issued 2,533,500 common shares for cash consideration of \$190,013. These shares will be held in escrow and the first release is subject to the written consent of the Registrar of the Alberta Securities Commission. On August 7, 1996 the Corporation issued another 2,000,000 common shares for cash consideration of \$300,000.

### c) Stock Options

- i) The Corporation has granted the directors, officers and key employees and consultants, stock options to a maximum of 10% (potentially 453,500 shares) of the issued capital stock of the Corporation, which option expires after five years.
- ii) The Corporation granted the Agent upon completion of the offering an option to acquire 200,000 shares, which option expires 18 months from the date of listing on the Alberta Stock Exchange. The price of the options is \$0.15 per share.

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## 5. RELATED PARTY TRANSACTIONS

The Corporation carried out transactions with related parties at values which the directors have indicated approximate fair market value. A summary of these transactions are as follows:

### a) A. Chan & Associates Inc.

Venture investigation and development costs totalling \$23,230 have been charged by A. Chan & Associates Inc., a corporation beneficially owned by Alan Chan, a director, officer and shareholder of the Corporation.

### b) China Pacific Industrial Corp. ("China")

The Corporation is related to "China" because "China" owns 44% of the issued shares of the Corporation. During the period, the Corporation had the following transactions with "China":

i) "China" advanced funds to the Corporation in an amount totalling:	\$ 13,300
ii) The Corporation advanced funds to "China" in an amount totalling:	\$ 13,300

## 6. SUBSEQUENT EVENTS, CONTINGENCIES, AND COMMITMENTS

The Corporation is listed on the Alberta Stock Exchange as a Junior Capital Pool Corporation and as such it has indicated that it will enter into transactions and will make commitments which will affect its future operations. A summary of these items is as follows:

### a) Venture Acquisition

During the year, the Corporation identified a potential acquisition and has entered into a share transfer agreement with Nikirk Bros. Contracting Ltd. ("Nikirk") to purchase 70% of the issued shares of Rimbey Transit Mix Ltd. ("Rimbey"). "Rimbey" operates a concrete plant in the municipality of Rimbey, Alberta.

The agreement specifies that "Nikirk" will pay down the bank loan and then convert their loan to share equity; (issuance of class A shares on debt conversion. The total issued shares of "Rimbey" after the conversion is expected to be 400,000 class A shares).

In order to complete the initial share transfer agreement, Asia Pacific has to obtain the approval of at least a majority of the shareholder of "Asia Pacific".

**b) Continuing Operations**

The Corporation's continuing operations as intended are dependent upon its ability to identify, evaluate and negotiate an acquisition of, a participation in or an investment of an interest in properties, assets or businesses. Such an acquisition will also be subject to shareholder and regulatory approval.

**7. INCOME TAXES**

The Corporation has non-capital losses totalling \$47,281 which may be utilized to reduce future income subject to corporate income taxes. The right to claim these losses expires as follows:

January 1, 2004	\$ 47,281
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The Corporation has unclaimed share issued costs in an amount totalling \$57,817 and unamortized incorporation expenses totalling \$523 which may be claimed for income tax purposes.

The potential income tax benefits attributable to the above items have not been reflected in these financial statements.

## **CORPORATE INFORMATION**

### **Directors**

Douglas H. Mitchell  
Senior Partner, Howard Mackie  
Calgary, Alberta

Alan Chan P. Eng.  
President & CEO, Asia Pacific Concrete Inc.  
Calgary, Alberta

Norman Kwong\*  
President, Normar Holdings Ltd.  
Calgary, Alberta

Kit Chan\*  
Chairman of the Board  
China Pacific Industrial Corp.  
Calgary, Alberta

George H. Cornish\*  
M. D. Rockyview, Alberta

### **Officers**

Douglas H. Mitchell  
Chairman of the Board

Alan Chan P. Eng.  
President & CEO

Cam McIntosh  
Chief Financial Officer

Victor Sun  
Vice President

Kit Chan  
Corporate Secretary

### **Head Office**

Suite 333, 1333 - 8th Street S.W.  
Calgary, Alberta, Canada T2R 1M6  
Tel: (403) 229 - 2337  
Fax: (403) 228 - 3013  
E-mail: [asiapac@cal.cybersurf.net](mailto:asiapac@cal.cybersurf.net)

### **Auditors**

Mikulak Rubin & Nagy  
Calgary, Alberta

### **Solicitors**

Parlee McLaws  
Calgary, Alberta

### **Banker**

Toronto Dominion Bank  
Calgary, Alberta

### **Registrar & Transfer Agent**

Montreal Trust Company of Canada  
Calgary, Alberta

### **Stock Exchange Listing**

The Alberta Stock Exchange  
Stock Symbol: AFI

\* Member of the Audit Committee





SUITE 333, 1333 8TH STREET S.W., CALGARY, ALBERTA T2R 1M6